

THE CENTRAL VALLEY FLOOD PROTECTION BOARD – October 28, 2010

Alejandra Lopez  
Consent Item No. 7 (H)

**SUBJECT:**

Gill Ranch Gas Storage, LLC (Gill Ranch) has requested the Central Valley Flood Protection Board (Board) to consent to a collateral assignment of its 75% interest in the Natural Gas Storage Lease No. 2010-01-CVFPB with the Sacramento and San Joaquin Drainage District (SSJDD), to Macquarie Bank Limited.

**LOCATION:**

The leased area for underground natural gas storage facility area lies within Sacramento and San Joaquin Drainage District's (SSJDD) property located within portions of Sections 8, 15, 16, 17, 18, 19, 20, 21, 22 & 28, Township 13 South, Range 16 East, MDB&M, in Fresno and Madera Counties, California.

**BACKGROUND:**

The Natural Gas Storage Lease No. 2010-01-CVFPB between SSJDD and Gill Ranch was approved by Board in the August 26, 2010 Board Meeting. This Lease remains active based on the terms of the agreement as indicated in the Lease. Gill Ranch intends to enter into a project financing transaction for the purposes of developing and operating its Gill Ranch Storage Project. As a condition precedent to its financing, GILL RANCH must obtain the BOARD's written consent for the collateral assignment of its 75% interest in the Natural Gas Storage Lease No. 2010-01-CVFPB, to Macquarie Bank Limited, pursuant to the Natural Gas Storage Lease No. 2010-01-CVFPB, paragraph 7. Macquarie Bank Limited is the collateral agent for the lenders and for additional secured parties providing the financing and related hedge agreements.

Jeremy Goldberg, DWR, Office of Chief Counsel has approved the "Consent for Collateral Assignment of the Natural Gas Storage Lease No. 2010-01-CVFPB" for legal form and sufficiency.

**REQUEST:**

Consider approving the assignment of Gill Ranch's 75% interest in the Natural Gas Storage Lease No. 2010-01-CVFPB, to Macquarie Bank Limited, and delegating to the Board president and secretary the authority to execute the Consent to Collateral Assignment.

**ATTACHMENTS:**

- Consent for Collateral Assignment of the Natural Gas Storage Lease No. 2010-01-CVFPB
- Natural Gas Storage Lease No. 2010-01-CVFPB

**STAFF RECOMMENDATION:**

Staff recommends approval of the Consent for Collateral Assignment of the Natural Gas Storage Lease No. 2010-01-CVFPB, subject to the terms and provisions thereof, by the assignor and assignee.

# The Central Valley Flood Protection Board

## CONSENT TO COLLATERAL ASSIGNMENT of the NATURAL GAS STORAGE LEASE NO. 2010-01-CVFPB

WHEREAS, by Natural Gas Storage Lease No. 2010-01-CVFPB, dated October \_\_\_\_, 2010, the Sacramento and San Joaquin Drainage District, acting by and through Central Valley Flood Protection Board, State of California, 1416 Ninth Street, California 95814 ("BOARD"), as Lessor, leased to GILL RANCH STORAGE, LLC, an Oregon limited liability company ("GILL RANCH"), as to an undivided 75% interest and to Pacific Gas and Electric Company, a California corporation, as to an undivided 25% interest, as Lessees, certain lands situated in Sections 21 and 22, Township 13 South, Range 16 East, M.D.B&M., within Fresno and Madera Counties and as shown on the attached map (the "Land"), Exhibit A, which by reference is made a part hereof; and

WHEREAS, GILL RANCH now desires to enter into a project financing transaction for the purposes of developing and operating its 75% interest in the Gill Ranch Storage Project located, in part, in and under the Land;

WHEREAS, as a condition precedent to its financing, GILL RANCH must obtain the BOARD's written consent for the collateral assignment of its 75% interest in the Natural Gas Storage Lease No. 2010-01-CVFPB, to Macquarie Bank Limited, as collateral agent for the lenders and additional secured parties providing the financing and related hedge agreements (the "Agent").

NOW, THEREFORE, the undersigned does hereby consent to (i) collateral assignment by GILL RANCH to the Agent of its above-described rights, title and interest in said Natural Gas Storage Lease No. 2010-01-CVFPB, subject to the terms and provisions thereof, and (ii) the substitution of the Agent for GILL RANCH upon the exercise by Agent of the remedies of a secured party in connection with the financing. The BOARD acknowledges and agrees that, with the prior consent of the BOARD (such consent not to be unreasonably withheld), an assignee or designee of the Agent may be substituted for GILL RANCH upon the exercise by the Agent of the remedies of a secured party in connection with the financing, provided that the BOARD acknowledges and agrees that it will consent to and accept any assignee or designee of the Agent that has creditworthiness and operational expertise equal to or higher than that of GILL RANCH. The Agent may also cure defaults by GILL RANCH under Storage Lease No. 2010-01-CVFPB.

Agent, by executing this consent, agrees that if it exercises the rights of a secured party to be substituted for GILL RANCH that it, or an assignee or designee, as applicable, shall be bound by the terms of said Natural Gas Storage Lease No. 2010-01-CVFPB attached hereto. BOARD acknowledges and agrees that the Agent is not liable under said Natural Gas Storage Lease No. 2010-01-CVFPB unless and until the



Consent to Collateral Assignment  
of the  
Natural Gas Storage Lease No. 2010-01-CVFPB

Agent shall be substituted for GILL RANCH thereunder. The provisions hereof shall extend to and be binding upon the heirs, successors, legal representative, and assigns of the parties hereto.

Executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**ASSIGNOR:**

GILL RANCH STORAGE, LLC, an Oregon  
Limited Liability Company

SACRAMENTO AND SAN JOAQUIN DRAINAGE  
DISTRICT, ACTING BY AND THROUGH THE  
CENTRAL VALLEY FLOOD PROTECTION  
BOARD

By: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Title: President

**ASSIGNEE:**

Macquarie Bank Limited

By: \_\_\_\_\_

Title: Secretary

By: \_\_\_\_\_

Title: \_\_\_\_\_

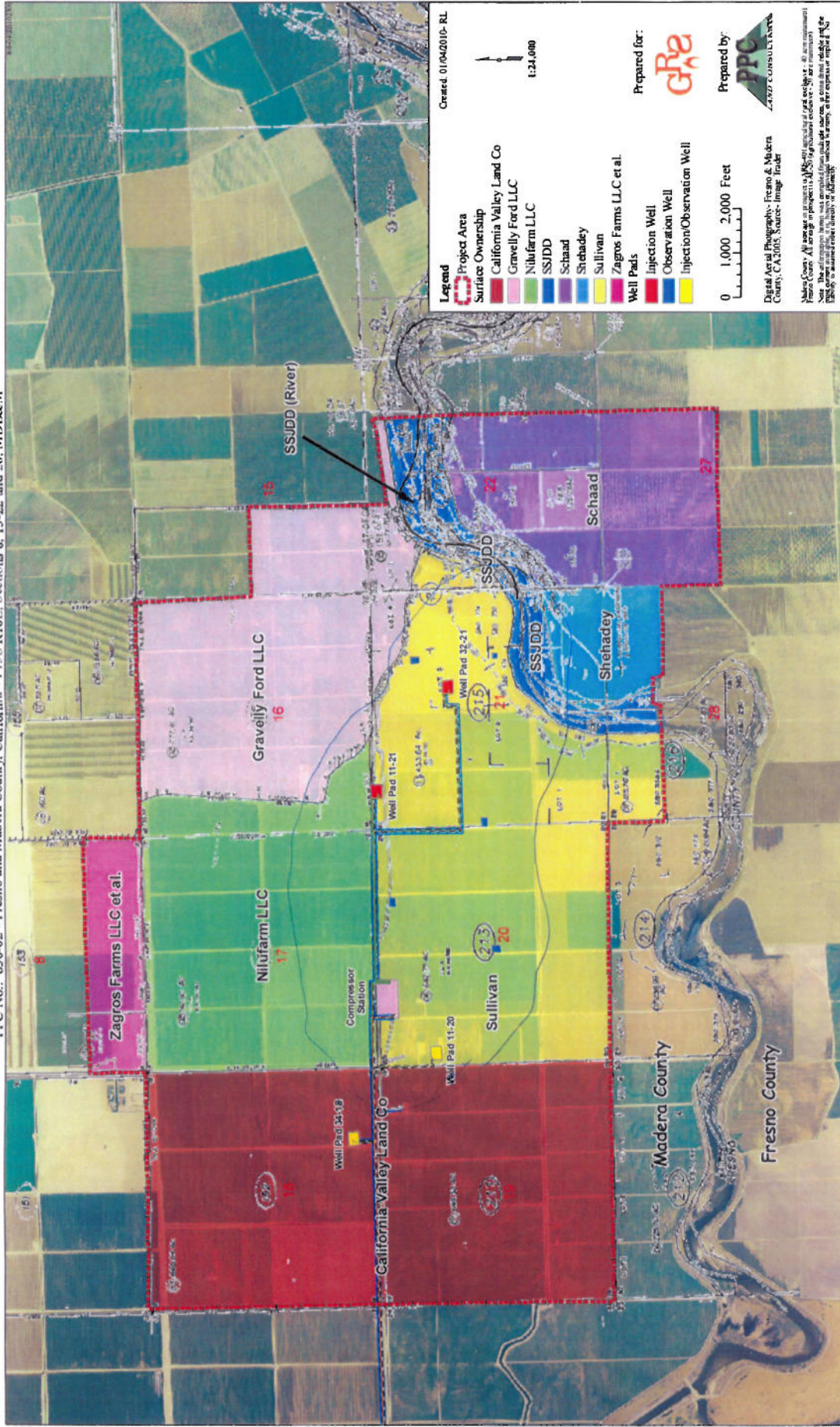
Approved as to Legal form and sufficiency:

By: \_\_\_\_\_

Jeremy Goldberg Staff Counsel  
Department of Water Resources  
State of California

# XHIBIT A

Gill Ranch Storage Project Area: Surface Ownership Index Map  
 PPC No.: 650-02 - Fresno and Madera County, California - T13S R16E, Sections 8, 15-22 and 28, MDR&M



XHIBIT A



**GILL RANCH NATURAL GAS STORAGE LEASE**  
**Fresno and Madera Counties, California**

This Lease is made and entered into effective as of September 1, 2010, by and among the SACRAMENTO AND SAN JOAQUIN DRAINAGE DISTRICT acting by and through the CENTRAL VALLEY FLOOD PROTECTION BOARD of the STATE OF CALIFORNIA, (hereafter sometimes referred to as the "Board") and GILL RANCH STORAGE, LLC, an Oregon limited liability company, as to an undivided 75% interest and PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, as to an undivided 25% interest (hereafter sometimes collectively referred to as the "Company").

**Recitals**

A. The Board owns certain lands situated in Sections 21 and 22, Township 13 South, Range 16 East, M.D.B&M., within Fresno and Madera Counties and as shown on the attached map identified as Exhibit A and incorporated by reference herein (the "Property");

B. The Company desires to lease a portion of Property, as described in Exhibit C, for the purposes of the Gill Ranch Natural Gas Storage Project, which will utilize depleted underground natural gas reservoirs in an existing gas field known as the Gill Ranch Gas Field; and

C. At the August 26, 2010 meeting of the Central Valley Flood Protection Board, the Board approved the lease of the property identified in Exhibit C to the Company for the purposes described above.

NOW THEREFORE, in consideration of the mutual covenants and conditions in this Lease, the Board and the Company agree as follows:

**Definitions**

Gill Ranch Gas Field: That certain gas field area where the Company the Company has rights under certain gas storage leases, as set forth in Exhibit A, of lands lying within portions of Sections 8, 15, 16, 17, 18, 19, 20, 21, 22, 27 & 28, Township 13 South, Range 16 East, MDB&M, in Fresno and Madera Counties, California. All or a portion of the lands subject to the leases lie within the heavy black line demarcating the Gill Ranch Gas Field, as shown on the attached map marked Exhibit B.

Storage Formations: Those certain gas sands in the Gill Ranch Gas Field known as the First and Second Starkey Formations existing between the stratigraphic equivalents of the depths of 5,500 feet to 7,500 feet subsurface as found in the Phillips Petroleum Gill Ranch Deep A No. 3 Well drilled in Section 18, T.13S., R.16E., MDB&M, and the Moreno D-1 Sand as found in the Vern Jones Gill Ranch No. 1-21 Well over measured depths of 5,585 feet to 5,657 feet subsurface, or the stratigraphic equivalent thereof.

Storage Reservoir: That portion of the Storage Formations in the Gill Ranch Gas Field shown on the attached map marked Exhibit B that will store injected natural gas.

Native Gas: Natural or other gaseous hydrocarbons present in commercially producible quantities within the Storage Reservoir.

Excess Gas: Excess Gas is that amount of cumulative natural gas withdrawn that exceeds one hundred one percent (101%) of the cumulative amount of natural gas that the Company has injected since the inception of the Lease.

Board Lands: All lands belonging to the Board located within the Gill Ranch Gas Field as described in Exhibit C and containing approximately 186.64 acres.

Board Ownership Share: The Board's ownership share of the Gill Ranch Gas Field shall be 3.737% percent (3.737%). The Board's ownership share of the Gill Ranch Gas Field has been determined according to the best judgment of the Board and the Company. If the Company quitclaims or otherwise disposes of any of its leases of lands in the Gill Ranch Gas Field, as set forth in Exhibit A, the Board and the Company shall redetermine the Board's ownership share according to their best judgment, to be effective as of the date and time of the quitclaim or other disposition.

## **Terms and Conditions**

1. Lease Term. This Lease shall become effective at 7:00 a.m. on September 1, 2010, and shall continue in effect for a term of forty-nine (49) years until 7:00 a.m. on September 1, 2059. If this Lease is terminated pursuant to the provisions of Paragraphs 4, 12 or 14 of this Lease, the Company shall have the right for a period of five (5) years after any such termination to withdraw from the Storage Reservoir all gas injected by the Company and all Native Gas. If the Company exercises this right, it shall continue to be responsible for payment to the Board of the annual rental through the end of the lease year in which the Lease is terminated. While the Lease is in effect, including any extension or renewal of the Lease, and until five (5) years after termination of the Lease or when the Company has withdrawn all injected gas and Native Gas from the Storage Reservoir, whichever is sooner, the Board shall not permit others to drill or produce any well for the production of gas within the Storage Reservoir. The Board, however, may permit at any time others to drill or produce a well or wells for the production of gas from other Board Lands within the Gill Ranch Gas Field; provided that no drilling shall be allowed through the Storage Reservoir without taking measures reasonably required by the Company to protect the Storage Reservoir as long as the Lease is in effect.

### 2. Rental Payments and Royalties.

a. Royalties. The Company shall pay to the Board the sum of One Thousand Dollars (\$1,000.00) per month on or before the first day of each month commencing on September 1, 2010, as rental for the period prior to the Rental Commencement Date as defined in Paragraph 2.b. of this Lease. If no injection has occurred prior to the one year anniversary date, the Rental Commencement Date will be September 1, 2011. The Company maintains that there are no remaining reserves of Native Gas in the Storage Reservoir. The Company shall have the right at any time to commingle injected gas with any natural gas which may now exist in the Storage Reservoir and extract, produce, remove, market, use or dispose of any natural gas within



the Storage Reservoir free of any claim or demand by the Board. Notwithstanding the above, the Company shall pay to the Board, in money, a royalty of one-sixth (1/6th) of the value of all Excess Gas it withdraws from the Storage Reservoir. Excess Gas will be initially determined on March 31, 2011 and thereafter on each succeeding fifth anniversary date of this initial determination (March 31), and finally on the expiration or termination date of this Lease. Payment of the royalty on Excess Gas shall be made within thirty (30) days of each period of measurement. The royalty on Excess Gas shall be valued at a price equal to the PG&E City Gate Price as published in the Natural Gas Intelligence first of month index (or such reasonably equivalent index as the Company may designate, subject to staff approval of the SACRAMENTO AND SAN JOAQUIN DRAINAGE DISTRICT acting by and through THE CENTRAL VALLEY FLOOD PROTECTION BOARD of the State of California, should such index cease to be published) in effect at the time of measurement.

b. Rent for Storage Rights. On the day when the Company commences the injection of natural gas into the Storage Reservoir (the Rental Commencement Date), the Company shall pay to the Board, in advance, for the period from the Rental Commencement Date to the next January 1<sup>st</sup>, rent in the amount of 3.737 percent (3.737 %) (the Board's ownership share of the Gill Ranch Gas Field) of four percent (4%) of projected gross income to the Company from conducting gas storage operations for the rental period. For each annual rental period beginning on January 1 of each succeeding year during the term of this Lease, Company shall pay to the Board on or before the following March 15<sup>th</sup> (the "Rental Payment Date"), as rent for the next rental period, Ten Thousand Dollars (\$10,000.00) (Minimum Rent) or 3.737 percent (3.737 %) of 4% of gross income for the prior rental period (or projected rental period for the second such rental payment if the initial period of operations is less than 12 months), whichever is greater. The Minimum Rent shall be adjusted upward on each anniversary of the Rental Payment Date by five percent (5%). The Rent for each 12-month rental period following the initial January 1<sup>st</sup> shall be due and payable on or before the following March 15, at which time the Company shall adjust the rent for that previous 12-month period to reflect the actual gross income for that period. The payment of rent shall be for the privilege of keeping this Lease in full force and effect until it expires or is terminated pursuant to the provisions of Paragraph 14. Gross income from the conduct of gas storage operations shall mean monetary compensation received by the Company for the use of or right to use the Storage Reservoir, including both capacity and usage charges, but shall not include: (i) the proceeds of sale of all or any portion of the gas storage project or (ii) the proceeds of any type of financing for the project. If the Company fails to pay the appropriate annual rental or incremental gas fee for any lease year, the Board may terminate this Lease upon giving ninety (90) days notice to the Company, or may continue this Lease with the right to exercise any legal or equitable remedy that the Board might otherwise have.

c. Board's Audit Right. The Board shall have the right, not more often than once in any twelve (12) month period, to audit the books and records of the Company to ascertain whether the Company has properly calculated the rent payable to the Board under this Lease. Each of the owners of the gas storage project in the Gill Ranch Gas Field shall make all of its relevant books and records available to the Board during normal business hours upon written request from the Board, subject to the Board's and its auditors' written agreement to maintain all such information confidential. If the audit discloses an underpayment of rent, the Company shall make the applicable rent payment adjustment within sixty (60) days of the Board's invoicing. If the audit discloses an overpayment of rent, that overpayment shall be credited to the next payment due from the Company to the Board. If Rent was underpaid or overpaid by an amount



greater than 5%, the Company shall reimburse the cost of the audit to the Board; otherwise the audit costs shall be borne by the Board.

d. All late rental payments are subject to interest and penalty charges as specified in Title 2, California Code of Regulations, Section 1911.

3. The Company shall have the exclusive right during the term of this Lease to inject and store gas (with any water vapors absorbed), whether produced from the Board Lands or from other lands, in and withdraw such injected gas (with any water vapors absorbed) from the Storage Reservoir.

4. The Board reserves from the operation of this Lease, all crude oil, natural gasoline and other liquid hydrocarbons and Native Gas in the Storage Formations in any of the Board Lands. These substances shall remain the sole property of the Board, and no rights to them are granted to the Company by this Lease. The Board further reserves the right to grant easements or rights of way in, upon and under the Board Lands, except as provided below. Nothing in this Lease shall be construed as limiting the power of the Board to lease, convey or otherwise transfer or encumber any or all of the Board Lands for any purpose that will not interfere with the rights or privileges granted to the Company by this Lease; provided that the Board shall not drill into the Storage Reservoir or permit others to drill into the Storage Reservoir to produce hydrocarbons therefrom, and will not drill through or permit others to drill through the Storage Reservoir without taking such reasonable measures as the Company may require to protect the Storage Reservoir.

5. All equipment, devices and materials required to measure the volume of gas injected into and withdrawn from the Storage Reservoir shall be installed, maintained, operated or furnished by the Company at the Company's expense. The unit of volume for purposes of measurement shall be one (1) cubic foot of gas at a temperature of sixty degrees (60) Fahrenheit and at the pressure of fourteen and seventy-three one-hundredths (14.73) pounds per square inch absolute. The volumes of gas injected into the Storage Reservoir and withdrawn from the Storage Reservoir shall be metered by one or more ultrasonic meters installed and maintained, and volumes shall be measured in accordance with the methods prescribed in American Gas Association (AGA) Report No. 9, Measurement of Gas by Multipath Ultrasonic Meters (2007) and any subsequent revision acceptable to the Company. Flow computer calculations shall be governed by the equations described in AGA Report No. 7, Measurement of Natural Gas by Turbine Meters (2006) or subsequent revisions. The Board, by its duly authorized representative, shall have the right to check and inspect measuring equipment installed or furnished by the Company and measurement data at all times during business hours, but the reading, calibration and adjustment of such equipment and collecting of data shall be done only by the Company. A Company representative shall be present when any such check or inspection is made by the Board. Alternate standards, methods or equipment described in this paragraph may be employed by the Company, subject to staff approval of the SACRAMENTO AND SAN JOAQUIN DRAINAGE DISTRICT acting by and through The Central Valley Flood Protection Board of the State of California.

6. The Company shall pay when due any and all taxes lawfully assessed and levied under the laws of the United States of America, the State of California or any of its political subdivisions, upon improvements installed or maintained on the Board Lands in the Gill Ranch Gas Field pursuant to the provisions of this Lease. Payment of any and all taxes lawfully



assessed and levied on gas or other hydrocarbon substances injected into the Gill Ranch Gas Field shall be the responsibility of the owners thereof.

7. The Company shall not assign this Lease without the prior written consent of the Board.

8. Within thirty (30) days after Board approval of this Lease, the Company shall furnish to the Board and maintain during the term of this Lease a bond, certificate of deposit, letter of credit or other security acceptable to the Board in the amount of Twenty-five Thousand Dollars (\$25,000.00) in favor of the Board guaranteeing faithful performance by the Company of the terms, covenants and conditions of this Lease.

9. The Company shall be liable to the Board for all damage to any reservoir underlying the Board Lands to the extent that the damage is caused by the intentional act of, negligence of, the breach of any provision of this lease by, or noncompliance with any applicable statutes or regulations by the Company, its employees, servants, agents, contractors or independent contractors. Nothing in this lease shall diminish any other rights or remedies the Board may have in connection with any such negligence or breach.

10. The Company shall procure and maintain at the Company's sole cost and expense a commercial general liability policy of insurance applying to the Board Lands and to the operations of the Company under this Lease whether or not occurring on the Board Lands. The insurance shall include broad form contractual liability coverage and name the Board as an additional insured. Such coverage shall have liability limits of at least two million dollars (\$2,000,000) per occurrence and a general aggregate limit of at least five million dollars (\$5,000,000); however, such liability limits may be provided through a combination of primary and excess (i.e., umbrella) insurance policies. Any liability insurance policy shall apply to all bodily injury, property damage, personal injury and other covered loss, however occasioned, during the policy term and shall provide that the coverage shall be primary. The insurance shall provide for severability of interests, shall provide that an act or omission of any one of the named or additional insureds shall not reduce or avoid coverage to the other named or additional insureds and shall afford coverage of all claims based on acts, omissions, injury and damage, which claims occurred or arose (or the onset of which occurred or arose) in whole or in part during the policy period. All policies shall be issued by insurers authorized to transact business in California and having a rating of at least B+ in the then-current edition of Best's Insurance Guide. The Company shall deliver a certificate of insurance to the Board as soon as practicable after securing the insurance. The Company shall give the Board at least thirty (30) days prior written notice of any cancellation or termination of the policy or voluntary reduction in insured limits. The Company shall furnish the Board with proof of renewal or binders for new insurance at least thirty (30) days before the expiration date of each policy. The Company may self-insure all or part of its risk with the approval of the Board, such approval not to be unreasonably withheld, delayed or conditioned.

11. The Company shall exercise reasonable diligence, the highest professional standards shall follow best management practices in the operation of the lands used as a Storage Reservoir for natural gas and carry on all operations under this Lease in a good and worker-like manner in accordance with approved methods, having due regard for the health and safety of workers and employees. The Company shall hold the Board, its officers, agents and employees, at all times, free and harmless from all claims and liabilities on account of any breach of this Lease, any



wrongful intentional act, or negligent maintenance or operation by the Company or its officers, agents, employees or independent contractors.

12. With the written agreement of the parties, this Lease may be terminated at any time and any provisions of this Lease may be modified or amended. As provided by section 6804.1 of the Public Resources Code and in a form prescribed by the Board, the Company may quitclaim its interest in this Lease at any time by recording the prescribed quitclaim deed in the Official Records of Fresno and Madera County, California and furnishing a copy to the Board; provided that the quitclaim shall not relieve the Company of any obligations already accrued under this Lease.

13. In addition to the annual rental, the Company shall reimburse the Board for the actual, reasonable and necessary costs incurred for the administration, management, and implementation of this Lease, including but not limited to, elevation monitoring, equipment inspection, engineering review, royalty verification and/or audit, reservoir and geologic review, annual lease reviews, and for any other staff time or expenses incurred or expended to ensure such operations conform to all the terms of this Lease and to the Board's rules and regulations, now or hereafter promulgated. The lease management fee shall not exceed Five Thousand Dollars (\$5,000.00) per lease year commencing September 1, 2010, but such maximum amount shall be increased in the amount of 3% per year, such increase to take effect annually on September 1 of each year. The Company and the Board shall each execute and deliver a State Standard Reimbursement Agreement, substantially in the form of Exhibit D, containing more detailed provisions pertaining to the lease management fee. The Board shall provide to the Company a statement setting forth the amount of the lease management fee for each lease year during the remaining term of the Lease, together with detailed documentation to identify and support the amounts claimed.

14. If the Company assigns this Lease without the consent of the Board, fails to comply with the applicable provisions of Divisions 3 and 6 of the Public Resources Code, or defaults in the performance or observance of any of the terms, covenants and conditions of this Lease or of any applicable rules and regulations, now or hereafter promulgated by the Board or any agency having jurisdiction over the activities under this Lease including the California Division of Oil, Gas and Geothermal Resources' field rules for the Gill Ranch Gas Field, and the default continues for at least thirty (30) days after written notice to the Company and no steps shall have been taken within that time to remedy the default, then the Board shall have the right to terminate this Lease (provided that any termination for failure to pay any adjusted rate and/or minimum annual rental shall be governed by the provisions of Paragraph 4 of this Lease). This provision shall not be construed to prevent the exercise by the Board of any legal or equitable remedy which the Board might otherwise have. The waiver or failure of the Board to act upon any particular violation shall not prevent the termination of this Lease for any other cause or for the same cause occurring at another time.

15. The Board shall also have the right to terminate this Agreement in the event that the Company abandons the project contemplated herein. "Abandonment" shall mean that the Company has failed to exercise its rights under this Lease for a period of at least twelve months.

16. The Company accepts the property as being in good order, condition, and repair and agrees that condition of the property is sufficient for the Company's purposes.



17. The Company may enter the property and all access areas leading thereto solely for the purpose of performing the activities and work described herein. No activities other than those specifically identified herein are authorized under this Agreement. The Company shall not use the property for staging, storage, parking, or recycling of drilling fluids, other than on the approved drill site during drilling activities. Upon the completion of drilling activities the Company will remove and dispose of fluids and muds appropriately.

18. The Board expressly does not give the Company any permit or authorization to enter upon any portions of the property other than those specified herein.

19. The Company shall be responsible for the lawful disposition of any and all waste and spoilage resulting from the performance by the Company of the work authorized herein.

20. The Board assumes no liability for loss or damage to property or injuries to or deaths of agents, contractors or employees of the Company by reason of the exercise of privileges given under this Agreement.

21. The Company shall comply with all laws and secure all necessary permits and authorizations required by any public agency to do the work contemplated herein. The Company shall assume sole and complete responsibility for work site conditions for the duration of the the Company's Project, including, but not limited to, the safety and health conditions on the work site. This requirement shall apply continuously. The Company shall comply with all applicable provisions of law including the regulations established by the California Division of Industrial Safety. The Company shall furnish and use safety devices and safeguards and shall adopt and use practices, means, methods, operations, and processes which are reasonably adequate to render the work site safe and healthful. The Company shall take all steps necessary to ensure that any hazardous condition is corrected either by the Company or by assigning such responsibility to the appropriate subcontractor and ensuring that the corrections are completed.

22. The Company shall keep the Board's land free from any and all liens arising out of the Company's use of the Board's land, materials furnished, or obligations incurred by the Company.

23. This Agreement shall be interpreted and enforced in accordance with the laws of the State of California, except this Agreement shall be given a fair and reasonable construction in accordance with its terms and the intention of the parties and without regard to or the aid of Section 1654 of the California Civil Code.

24. The address of each party for the purpose of service of notices provided under this Lease, until changed by either party by written notice to the other is:

**Gill Ranch Storage, LLC**  
220 NW Second Avenue  
Portland OR 97209

**Pacific Gas and Electric Company**  
Manager, Land Asset Management  
PG&E Technical and Land Services  
P.O. Box 770000, Mail Code N10A  
San Francisco, CA 94177

**SACRAMENTO AND SAN JOAQUIN DRAINAGE DISTRICT acting by and through The  
Central Valley Flood Protection Board of the State of California**  
c/o Department of Water Resources  
1416 9<sup>th</sup> Street, Room 425  
Sacramento, California 95814

The parties have executed, or caused this Lease to be executed, by their duly authorized officers. This lease shall be effective September 1, 2010.

**Gill Ranch Storage, LLC**

By: By:

Name: Name:

Title: Title:

Date: Date:

**Pacific Gas and Electric Company**

By:

Name:

Title:

Date:

**SACRAMENTO AND SAN JOAQUIN DRAINAGE DISTRICT acting by and through The  
Central Valley Flood Protection Board of the State of California**

By: President \_\_\_\_\_ Date \_\_\_\_\_

By: Secretary \_\_\_\_\_ Date \_\_\_\_\_

Approved as to legal form and sufficiency:

  
\_\_\_\_\_  
Legal Counsel

All signatures must be acknowledged. 12